

# **UMTSHEZI MUNICIPALITY**



**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2008**

# UMTSHEZI MUNICIPALITY

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# **MAYORAL FOREWORD**

Being the Mayor of Umtshezi Municipality, it is my obligation and responsibility to ensure that my Municipality is accountable and transparent. In order to do that I must reflect back and assess the manner in which the business has been carried more especially in delivering the best service to the people we serve.

Our budget for 2006/2007 was based on actual and forecasted to projected revenue and expenditure. Despite the fact that some of the ratepayers could not afford to pay our debt but managed to provide services to our citizens viz. electricity, maintenance of roads, refuse removal and attending community complaints successfully. We have managed to work with other parties and involvement of the community and ward committees. There has been some effective workshops which were very productive where in some of those workshops we developed a strategic plan to ensure compliance with IDP and SDBIP Policy.

We also managed to provide houses with good infrastructure of electricity, water, sewer and roads. We were able to work together with other spheres of government in terms of co-operative governance (national, provincial and local government). Some difficulties were also experienced in terms of key position that needs to be filled like Director of Finance and Senior Technician in the Civil and Structural Department. I am convinced that we will be able to address this situation in the current year.

My appreciation goes to the three spheres of government and commends dedication, commitment and support from my Municipal Manager and the Staff for trying their best despite the challenges that were there. I thank the support of the Deputy Mayor, Speaker and fellow Councilors. May God bless you all.

**HIS WORSHIP THE MAYOR:  
COUNCILOR ML SHELEMBE  
UMTSHEZI MUNICIPALITY**

## REPORT OF THE CHIEF FINANCIAL OFFICER

### 1) INTRODUCTION

It is the time of year when, we take a snap shot, and look back into previous years financial performance and position of our Municipality, the results portrayed by the following statements should not only be viewed in rands and cents but also to the extent to which lives of the ordinary citizens of this Municipality have been changed.

It is unfortunate that the process of conversion from IMFO Statements to GRAP/GAMAP standards could not be finalised however resources will be channelled for the finalisation of this process.

The current year deficit of R 10,970,834 and appropriation of R6,726,487 have resulted in a deficit of R4,244,347 which increased the accumulated deficit of R 21 715 377 at 30 June 2007 to R25,959,724 at 30 June 2008.

The financial statements of the municipality are normally prepared on the assumption that the entity is a going concern. The financial statements were prepared on this assumption but during the financial year there was doubt regarding the going concern of the Municipality. This was as a result of the Municipality incurring a net loss of R12,579,232 resulting in an increased accumulated deficit of R33,998,561. The bank was also in overdraft of R3,451,889 as at 30 June 2008 which also raised the concern relating to the going concern assumption. This matter is being addressed and measures are currently in place to ensure that the accumulated deficit decreases.

### 2) OPERATING RESULTS

Details of the results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2008 are as follows :

<b>INCOME</b>	<b>Actual 2006/07 R</b>	<b>Actual 2007/08 R</b>	<b>Variance Actual/ Budget %</b>	<b>Budget 2007/08 R</b>	<b>Variance Actual/ Budget %</b>
Opening Surplus	-	-			
Operating Income for the Year	98,250,136	106,701,184	-11%	119,716,183	-11%
Sundry Transfers	(2,470,426)	296,048			
	<b>95,779,710</b>	<b>106,997,232</b>		<b>119,716,183</b>	
<b>EXPENDITURE</b>					
Opening Deficit	4,694,713	21,715,377			
Operating Expenditure	108,808,805	119,280,416	0%	119,716,183	0%
Closing Surplus/(Deficit)	(17,723,808)	(33,998,561)			
	<b>95,779,710</b>	<b>106,997,232</b>		<b>119,716,183</b>	

#### 2.1) RATES & GENERAL

	<b>Actual 2006/07 R</b>	<b>Actual 2007/08 R</b>	<b>Variance Actual/ Budget %</b>	<b>Budget 2007/08 R</b>	<b>Variance Actual/ Budget %</b>
Income	47,269,547	52,843,388	1%	52,262,797	1%
Expenditure	53,170,983	62,927,819	-6%	67,019,561	-6%
Surplus/(Deficit)	(5,901,436)	(10,084,431)	-32%	(14,756,764)	-32%
Surplus (Deficit) as % of Total Income	-12.48%	-19.08%		-28.24%	

## 2.2) HOUSING SERVICES

	Actual 2006/07 R	Actual 2007/08 R	Variance Actual/ Budget %	Budget 2007/08 R	Variance Actual/ Budget %
Income	233,440	234,378	323%	55,386	0%
Expenditure	26,307	28,776	0%	-	0%
Surplus	207,133	205,602	271%	55,386	0%
Surplus as % of Total Income	88.73%	87.72%			

## 2.3) TRADING SERVICES: ELECTRICITY

	Actual 2006/07 R	Actual 2007/08 R	Variance Actual/ Budget %	Budget 2007/08 R	Variance Actual/ Budget %
Income	50,747,149	53,623,418	-8%	57,975,546	-8%
Expenditure	55,611,515	56,323,822	29%	43,274,168	30%
Surplus/(Deficit)	(4,864,366)	(2,700,404)	-119%	14,701,378	-118%
Surplus (Deficit) as % of Total Income	-9.59%	-5.00%			

## 3) CAPITAL EXPENDITURE AND FINANCING

	Actual 2007/08	Budget 2007/08	Variance Actual/Budget
<b>CAPITAL EXPENDITURE</b>			
Rates & General services	5,651,153	11,870,491	-52%
Electricity	2,622,863	3,050,000	-14%
	8,274,016	14,920,491	-45%
<b>FINANCING OF THE FIXED ASSETS</b>			
Loans Redeemed	-	-	-
Contributions from Current Income	3,714,508	3,550,925	5%
Grants and Subsidies	3,138,723	11,369,566	-72%
	6,853,231	14,920,491	-54%

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

## 4) EXTERNAL LOANS, INVESTMENTS AND CASH

External Loans outstanding on 30 June 2008 amounted to R 2 583 189 as set out in Appendix B.

Investments amounted to R 28 269 821 on 30 June 2008.

The bank balance a deficit of R 4 334 339 on 30 June 2008.

More information regarding loans and investments is disclosed in notes 3 and 6 and appendix B to the financial statements.

## 5) FUNDS AND RESERVES

The Capital Development Fund has increased by R5,596,296 to R74,177,731. No advances were raised.

The total advances to borrowing services amounted to R 32 966 524 as at 30 June 2008.

More information regarding funds and reserves is disclosed in notes 1, 2, 26 and 27 and appendix A to the financial statements.

**6) POST BALANCE SHEET EVENTS**

At the date the annual financial statements were signed, no post balance sheet events came to light.

**7) EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councilor's, the Municipal Manager and Heads of Departments for their support during the past year. A special word of thanks to the staff of the Treasury Department for their support and loyalty.



N. THOMAS

CHIEF FINANCIAL OFFICER

01/11/2009

DATE

# ACCOUNTING POLICIES

## 1. BASIS OF PRESENTATION

- 1.1 These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1997) and Report on Published Annual Financial Statements (Second Edition – January 1996).
- 1.2 The Financial Statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy, Note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The Financial Statements are prepared on the accrual basis:  
**Income** is accrued when measurable and available for Finance operations. Certain direct income is accounted for when received, such as traffic fines and certain licenses.  
**Expenditure** is accrued in the year it is incurred.

## 2. CONSOLIDATION

The Financial Statements include the Rate and General Services, Housing Service, Trading Services and the different Funds and Reserves. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, sewerage, electricity, water and premiums charged by the Insurance Fund, which are treated as Income and Expenditure in the respective departments.

## 3. FIXED ASSETS

3.1 Fixed Assets are stated:

- At historical cost, or
- At valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation or repossession, while they are in existence and fit for use.

### 3.2 Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this provision, assets are written down over their estimated useful life. Apart from advances from the various internal funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

3.3 All net proceeds from the sale of all other assets are credited to the Capital Development Fund.

3.4 Fixed Assets are financed from different sources, including external loans, operating income, contributions and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

#### **4. INVENTORY**

Inventory is valued at cost, determined on the weighted average basis.

#### **5. FUNDS AND RESERVES**

##### **5.1 Capital Development Fund**

The Local Authorities Ordinance No. 25 of 1974, requires a minimum contribution of 3,0 percent of Revenue Income of a local authority for the financial year. One half of all interest earned by this fund remains in the fund and the other half is credited to the appropriate revenue account.

##### **5.2 Loan Redemption Fund**

The redemption of Estcourt stock is provided for the annual contribution, from borrowing accounts calculated on the estimated lifespan of assets acquired, in equal installments. Internal loans are repaid in relation to the lifespan of the asset. Redemption on government loans is paid half yearly on an annuity basis.

##### **5.3 Public Improvement Fund**

The Local Authorities Ordinance No.25 of 1974, stipulates that this fund be maintained in respect of all property belonging to the Municipality, which is not utilized for a specific purpose relating to the provision of services. Fifty percent of all interest earned by this Fund is credited to Rate and General Services Revenue account.



## **5.4 Reserves**

### **5.4.1 Vehicle Insurance Reserve**

A reserve is maintained to provide for minimum payments due in respect of Insurance claims, and replacement (if necessary).

### **5.4.2 Repairs and Maintenance Reserve**

This reserve is maintained to provide for extraordinary expenditure required on repairs to Buildings, Plant and Vehicles.

### **5.4.3 Estate Reserve**

A reserve is maintained to provide for repairs and maintenance to houses held as assets of the Rate and General Services.

### **5.4.4 Dedicated Housing Account**

In terms of Council Resolution No.373.8.94 (para 3) contributions to the Rental Loss and Community Facilities Reserve were suspended, but a Maintenance Reserve is still maintained and paid to the Dedicated Housing Account.

## **6. EMPLOYEE BENEFIT FUNDS**

### **6.1 Joint Municipal Pension Funds (Superannuation, Retirement Fund and Provident Fund)**

The Umtshezi Municipality and its employees contribute to the Kwa-Zulu Natal Joint Municipal Pension Fund and its Councilors to the Municipal Councilors Pension Fund, which provides retirement benefits to such employees and Councilors.

The Retirement Benefit Plan is subject to the Pensions Fund Act, 1956, with pensions being calculated on the final pensionable remuneration paid.

Current contributions are charged against operating income on the basis of current service costs. Unfavourable experience adjustments and the costs of securing increased benefits are written off over the lesser of the remaining period of service of employees, or five years. Favourable experience adjustments are retained in the Retirement Benefit Plan.

Full actuarial valuations are performed at least every three years.

6.2 The Umtshezi Municipality and its employees contribute to Key health Medical Aid, which provides Medical Aid benefits to employees.

The Medical Aids are subject to the Local Authorities Ordinance (Natal) No 25 of 1974. Current contributions are charged against operating income on the basis of current service costs.

## **7. SURPLUSES AND DEFICITS**

Any surplus or deficit arising from the operation of the various services is retained in those services for their own use. A contribution in relief of Rates is effected from Electricity Service to Rate and General Service. Any surplus or deficit on the Housing Service is accounted for against Government Subsidy on the various schemes.

## **8. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES.**

The costs of internal support services are transferred to the different services in accordance with the estimated time spent and cost of facilities used.

## **9. LEASED ASSETS**

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

## **10. INVESTMENTS**

Investments are shown at the lower of cost or market related value if a permanent decline in the value occurred and are invested as per Local Authorities Ordinance No.25 of 1974.

## **11. INCOME RECOGNITION**

### **11.1 Electricity and Refuse Billings**

Meters on all properties are read and billed monthly.  
Refuse is collected from properties weekly.

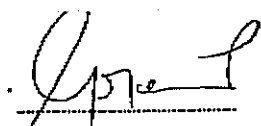
### **11.2 Assessment Rates**

The Umtshezi Municipality applies a differential rating system. In terms of this system the assessment rates are levied on the Land, building and Building Clause value of property and rebates are granted according to the zoning and the area in which a property is located.



## BALANCE SHEET AS AT 30 JUNE 2008

	Notes	2007/2008 R	2006/2007 R
<b>CAPITAL EMPLOYED</b>			
<b>FUNDS AND RESERVES</b>		<b>96,570,777</b>	<b>90,810,662</b>
Statutory Funds	1	94,862,068	89,153,568
Reserves	2	1,708,709	1,657,094
<b>RETAINED INCOME</b>	17	<b>(33,998,561)</b>	<b>(21,715,377)</b>
		<b>62,572,216</b>	<b>69,095,284</b>
<b>LONG-TERM LIABILITIES</b>	3	<b>2,066,141</b>	<b>7,200</b>
<b>CONSUMER DEPOSITS: SERVICES</b>	4	<b>1,720,451</b>	<b>1,669,827</b>
		<b>66,358,808</b>	<b>70,772,311</b>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>FIXED ASSETS</b>	5	<b>35,510,847</b>	<b>36,890,512</b>
<b>INVESTMENTS</b>	6	<b>4,043,983</b>	<b>2,472,528</b>
<b>LONG-TERM DEBTORS</b>	7	<b>1,133,759</b>	<b>1,763,679</b>
		<b>40,688,589</b>	<b>41,126,719</b>
<b>NET CURRENT ASSETS/LIABILITIES</b>		<b>25,670,219</b>	<b>29,645,592</b>
<b>CURRENT ASSETS</b>		<b>76,941,201</b>	<b>97,628,732</b>
Inventory	8	796,532	772,613
Debtors	9	51,879,478	48,705,598
Bank and cash	10	4,553	5,252,432
Short term portion of long-term debtors	7	34,800	591,297
Short-term investments	6	24,225,838	42,306,793
<b>CURRENT LIABILITIES</b>		<b>51,270,982</b>	<b>67,983,141</b>
Provisions	11	3,881,957	1,889,754
Creditors	12	43,420,086	66,093,387
Short Term Portion of Long Term Liability		517,050	
Bank overdraft	10	3,451,889	-
		<b>66,358,808</b>	<b>70,772,311</b>

  
MUNICIPAL MANAGER

  
CHIEF FINANCIAL OFFICER

# INCOME STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2008

2006/2007	2006/2007	2006/2007	2007/2008	2007/2008	2007/2008	2007/2008	2007/2008
Actual	Actual	Actual	Actual	Actual	Actual	Budgeted	
Income	Expenditure	Surplus/	Income	Expenditure	Surplus/	Surplus/	
R	R	(Deficit)	R	R	(Deficit)	(Deficit)	
47,270,268	57,163,274	(9,893,006)	52,843,388	62,927,819	(10,084,431)	(14,756,764)	
42,031,271	49,604,594	(7,573,323)	43,885,565	47,608,985	(3,723,419)	(9,246,643)	
1,554,499	2,188,954	(634,455)	512,022	8,584,646	(8,071,824)	(6,854,520)	
3,684,488	5,369,726	(1,685,238)	8,445,001	6,734,189	1,710,812	1,344,399	
233,440	26,307	207,133	234,378	28,776	205,603	55,386	
50,747,149	55,611,515	(4,864,366)	53,623,418	56,323,822	(2,700,404)	14,701,378	
			53,623,418	56,323,822	(2,700,404)	14,701,378	
<b>98,250,857</b>	<b>112,801,096</b>	<b>(14,550,239)</b>	<b>106,701,184</b>	<b>119,280,416</b>	<b>(12,579,232)</b>	<b>-</b>	
		(2,470,426)			296,048		
		(17,020,664)			(12,283,184)		
		(4,694,713)			(21,715,377)		
		<b>(21,715,377)</b>			<b>(33,998,561)</b>		

(22,948,196)

**UMTSHEZI MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED**  
**30 JUNE 2008**

	Note	2008 R	2007 R
<b>CASH GENERATED/(UTILISED) IN OPERATING ACTIVITIES</b>		<b>(17,514,256)</b>	<b>40,948,305</b>
Cash (utilised)/generated by operations	18	(7,123,263)	(8,254,665)
Investment income		1,365,686	2,247,490
Increase/(Decrease) in working capital	19	(25,820,476)	31,689,278
		<b>(31,578,054)</b>	<b>25,682,103</b>
Less : External Interest Paid		(255,437)	
<b>Cash generated/(utilised) in operations</b>		<b>(31,833,490)</b>	<b>25,682,103</b>
Cash contributions from the public and the state		14,319,234	15,266,202
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(10,271,001)</b>	<b>(8,114,038)</b>
Long-term debtors		(14,930)	322,524
Investments in Fixed assets		(10,256,071)	(8,436,562)
<b>NET CASH INFLOW/(OUTFLOW)</b>		<b>(27,785,257)</b>	<b>32,834,267</b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase(Decrease) in Long-term loans	20	2,575,989	
(Increase)/Decrease in Investments	21	16,509,500	(25,854,121)
(Increase)/decrease in cash and cash equivalents	22	8,699,768	(6,980,145)
<b>NET CASH (UTILISED)/GENERATED</b>		<b>27,785,257</b>	<b>(32,834,267)</b>

(0.30)

# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

## 1 Accumulated Funds

Public Improvement Fund  
Dedicated Housing Account  
Loan Redemption Fund  
Capital Development Fund

(Refer to appendix A for more details)

## 2 Reserves

Estates  
Repairs and Maintenance  
Vehicle Insurance Fund

(Refer to appendix A for more details)

## 3 LONG-TERM LIABILITIES

Local Registered Stock  
Wesbank  
Sub-total

Less : Current portion transferred to current liabilities

Local Registered Stock  
Wesbank

Total External Loans

Refer to Appendix D for more detail on long-term liabilities.

## 4 Consumer Deposits

Electricity

Guarantees held in lieu of Electricity Deposits are R 1,917,863 (2007: R2,323,079)

## 5 Fixed Assets

Fixed assets at the beginning of the year  
Capital Expenditure during the year

Less : Assets written off, transferred or disposed of during the year  
Total Fixed Assets

Less : Loans Redeemed and Other Capital Receipts  
Net Fixed Assets

(Refer to Appendix G for more details)

## 6 Investments

Unlisted:

Long-term  
Short term

Average Rate of Return on Investments

Section 13 of the Municipal Finance Management Act No56 of 2003, requires local authorities to invest funds which are not immediately required with prescribed institutions.

Investments amounting to R64 493 are pledged as security with Financial Institutions for funding of housing loans to staff members.

No investments were written off during the year.  
The long-term unit trust investment with Liberty Life is valued at R 2 965 989.74 as at 30 June 2006.

Account description: Investments (MFMA Requirements)

Investments Bank Account  
Absa Bank Escourt Branch  
Account number: 9106646490

Bank statement balance at the beginning of the year  
Bank statement balance at the end of the year

Investments Bank Account  
First National Bank Escourt Branch  
71021234116, 71048724530, 710666697123, 62033811995, 74029698170,  
Account number: 74081225309, 74142860044

Bank statement balance at the beginning of the year  
Bank statement balance at the end of the year

Investments  
Borough of Dundee  
Certificate number: 236

Certificate balance at the beginning of the year  
Certificate balance at the end of the year

Investments  
NedBank Escourt Branch  
Account number: 4350193735

Statement balance at the beginning of the year  
Statement balance at the end of the year

Investments

2007/2008 2006/2007

20,240,888	19,229,296
1,222,427	1,325,190
1,792	1,792
73,396,961	68,597,290
94,862,068	89,153,568

179,755	174,325
1,058,127	1,026,164
470,827	456,605
1,708,709	1,657,094

7,200	7,200
2,575,891	0
2,583,091	7,200

517,050	0
0	0
517,050	0

2,066,141	7,200
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1,720,451	1,669,827
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124,728,588	117,287,295
10,256,071	8,436,562
1,379,664	995,269
133,604,995	124,728,588
98,094,146	87,838,077
35,510,847	36,890,512

4,043,983	2,472,528
24,225,838	42,306,793
28,269,821	44,779,321
28,269,821	44,779,321

4.00%	4.00%
-------	-------

2,138,394	2,000,000.00
1,057	2,138,394.00

40,137,735	13,690,000.00
24,194,117	40,137,735.00

15,200	15,200.00
15,200	15,200.00

15,464	10,000.00
15,464	15,464.00

# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2007/2008	2006/2007
<i>Liberty Life</i>		
Account number: 0013370619, 0013961202		
Statement balance at the beginning of the year	2,472,528	3,210,000.00
Statement balance at the end of the year	4,043,983	2,472,528.00
<b>TOTAL INVESTMENTS:</b>	<b>20,269,821</b>	<b>44,779,321.00</b>
<b>7 Long Term Debtors</b>		
Land Sale loans	617,843	1,094,245
Add: Housing and other loans	1,751,062	1,260,730
	2,369,906	2,354,976
Less: Provision for doubtful debt	(1,201,346)	-
	1,168,559	2,354,976
Less: Short term portion of long-term debtors transferred to current assets	34,600	591,297
	<b>1,133,759</b>	<b>1,763,679</b>
<b>8 Inventory</b>		
Inventory represents consumable stores, raw materials and finished goods. Where necessary, specific provision is made for obsolete inventory.	811,314	772,813
Write off of inventory	(14,782)	
	<b>796,532</b>	<b>772,813</b>
<b>9 Debtors</b>		
Current debtors - rates and consumer	65,053,878	62,194,037
Amounts paid in advance	(244,082)	332,476
Accrued income	883,637	3,705,638
Sundry debtors		
	65,693,423	66,232,149
Less: Provision for doubtful debts: other	-	750,000
Less: Provision for doubtful debts	13,813,945	16,776,551
	<b>51,879,478</b>	<b>48,705,598</b>
% Debtors of Total Operating Income	49%	50%
Included in current debtors is an amount of R4,878,524 relating to the transfer of the Water Asset to Uthukela District Municipality. This amount is deemed irrecoverable and the full balance has been provided for as a doubtful debt. Once resolutions have been passed regarding the writing off of the asset, as well as confirmation that the amount recorded in the Municipality's records agree to the amounts recorded in the District Municipality's records, the amount owing will be written off. As at 30 June 2008, the amount recorded as a liability in Uthukela District Municipality's records was R127,000.		
<b>10 Bank and cash</b>		
Main bank account/(Overdraft)	(3,451,889)	5,247,879
Cash on hand	4,553	4,553
<b>Account description: Investments (MFMA Requirements)</b>		
First National Bank Escourt Branch		
Account number: 52200363994		
Statement balance at the beginning of the year	825,296	211,395.00
Statement balance at the end of the year	(3,451,889)	825,296.00
<b>11 Provisions</b>		
Leave accumulation (see note 25)	3,436,826	1,369,754
Audit Fees	445,333	520,000
Provision for doubtful debts: other	-	750,000
Provision for doubtful debts	13,813,945	16,776,551
	17,695,903	19,416,305
Less: Provision for doubtful debts transferred to Debtors (Note 9)	13,813,945	17,526,551
	<b>3,881,958</b>	<b>1,889,754</b>
<b>12 Creditors</b>		
Trade creditors	7,387,459	19,310,639
Deposits	35,618	19,518
Sundry creditors	1,058,642	1,162,118
Grants and Subsidies	34,938,367	38,926,890
Amounts received in advance	-	6,654,422
	<b>43,420,086</b>	<b>66,093,387</b>



**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008**

**13 Assessment rates**

2007/2008

2006/2007

**Rateable Land, Buildings and Building Clauses**

Site valuations  
as at 1 July 2008

	R		
Residential	321,183,870	17,659,508	9,790,858
Commercial	-	-	-
Industrial	121,735,097	5,081,831	9,191,109
Other	42,829,170	2,083,296	2,598,081
<b>Total</b>	<b>485,758,137</b>	<b>24,824,635</b>	<b>21,578,028</b>

Valuations on land and buildings are performed every 5 years and the last  
in Weenen the basic rates are: 0.020218 per rand for Agriculture and Grazing,

**14 Councillor's Remuneration**

Mayor's Allowance  
Deputy Mayor's Allowance  
Councillors  
Speaker allowance  
Medical Aid contributions  
Pension fund contributions for councillors  
Allowances

354,127	325,819
284,274	260,816
932,891	1,112,543
284,274	260,816
8,510	
297,849	372,275
722,424	653,385
<b>2,664,349</b>	<b>2,985,854</b>

Municipal Manager  
Departmental Directors  
Pension Fund Contributions

672,428	675,830
1,480,287	1,868,771
109,519	108,718
<b>2,262,234</b>	<b>2,653,319</b>

**15 Auditor's Remuneration**

Audit Fees  
Underprovision - Prior year

640,864	481,493
<b>640,864</b>	<b>481,493</b>

**16 Finance Transactions**

Total external interest earned or paid :  
Interest earned  
Interest paid

1,365,686	2,247,490
255,437	-

Capital Charges debited to operating account :  
Interest :

External  
Internal

3,606,052	3,839,827
255,437	-
3,350,615	3,839,827

Redemption :

External  
Internal

5,831,830	2,984,818
424,967	2,984,818
5,406,863	2,984,818
<b>9,437,882</b>	<b>6,824,645</b>

# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

## 17 Appropriations

Appropriation account :  
 Accumulated surplus at the beginning of the year  
 Appropriations for the year  
 Prior year adjustments  
 Operating surplus/(deficit) for the year

2007/2008

2006/2007

(21,715,377)	(4,694,713)
(12,283,184)	(17,020,664)
296,048	(2,470,426)
(12,579,232)	(14,550,239)
(33,998,561)	(21,715,377)

Accumulated surplus at the end of the year

## Operating account

Capital expenditure  
 Contributions to :  
 Capital development fund  
 Reserves  
 Audit fee provision  
 Leave pay provision  
 Bad debts provision  
 Loan Redemption Fund  
 Dedicated Housing Account

3,232,070	4,129,892
4,341,262	10,145,490
-	-
-	-
550,000	640,504
2,024,207	140,965
1,767,076	9,364,119
-	901
-	-
7,573,352	14,276,381

## 18 Cash/(utilised) generated by operations

(Deficit)/Surplus for the year

Adjustments for :

Previous year's operating transactions

Appropriations charged against income :

Capital development fund  
 Fixed Assets  
 Provisions & Reserves  
 Dedicated Housing Account  
 Loan Redemption Fund

Capital Charges

\* Interest paid  
 - To Internal funds  
 - On external Loans

\* Redemption  
 - On internal advance  
 - On external Loans

Investment income charged to operating account  
 Impairment loss on asset

Non operating income

- Government and Provincial grants and subsidies  
 - Credited to Funds, Provisions and Reserves

Non-operating expenditure:

- Debited to Funds  
 - Debited to Provisions and Reserves

(12,579,232)	(14,550,239)
296,048	(2,470,426)
7,573,352	14,276,382
-	-
3,232,070	4,129,892
4,341,262	10,145,569
-	901
-	-
9,437,882	4,904,731
3,606,052	1,919,914
3,350,615	1,919,914
255,437	-
5,831,830	2,984,816
5,406,843	2,984,816
424,987	-
(1,365,686)	(1,212,062)
686,954	-
(9,601,325)	(8,524,356)
(13,127,063)	(10,159,532)
3,525,738	1,635,176
(1,571,257)	(678,695)
(930,392)	(182,382)
(640,864)	(496,313)
(7,123,263)	(8,254,665)

Amount To Cashflow Statement

## 19 (Decrease)/(Increase) In Working Capital

(Increase)/Decrease in Inventory  
 (Increase)/(Increase) in Debtors  
 (Increase)/Decrease in Short-term portion of long-term debtors  
 Increase/(Decrease) in Creditors, Consumer deposits

Amount To Cashflow Statement

(23,919)	(170,985)
(3,173,880)	(6,888,264)
-	(532,733)
(22,622,677)	39,381,260
(25,820,476)	31,689,278

## 20 Increase/(Decrease) In Long term liabilities

- Loans raised  
 - Loans repaid

Amount To Cashflow Statement

3,000,976	-
(424,987)	-
2,575,989	-

## 21 (Increase)/Decrease in cash investments comprises :

- Investments realised  
 - Investments made

Amount To Cashflow Statement

37,203,043	42,354,203
(20,693,543)	(68,208,324)
16,509,500	(25,854,121)

## 22 (Increase)/Decrease in Cash and Cash Equivalents :

- Balance at beginning of year  
 - Balance at end of year

5,252,432	(1,727,713)
(3,447,336)	5,252,432
(8,699,768)	6,980,145

## 23 Contingent Liabilities and Contractual Obligations

Guarantees by Council in respect of Building Society and Commercial Banks  
 Housing loans to officials

64,493	64,493
64,493	64,493

At the time of the completion of the annual financial statements, there appears to be no litigations in progress

# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

2007/2008

2006/2007

It is Council's policy to carry a reserve of 50% of outstanding leave. The provision amounts to R 1 369 754 as at 30 June 2007 and the accumulated was R 2 739 507.

## 24 Capital Commitments

Approved and contracted for  
Approved but not yet contracted for

23,570,284	14,920,491
23,570,284	14,920,491

This expenditure will be financed from:

Internal Sources  
External Sources

	3,550,925
23,570,284	11,369,566
23,570,284	14,920,491

## 25 Leave Pay Provision

The estimate was calculated on leave days due at 30 June 2008 of 11506 days for all employees at their specific rates

3,436,626

1,369,754

## 26 Capital Development Fund

Accumulated Funds  
Less: External investments  
Outstanding advances to borrowing services

73,395,961	68,597,290
(43,580,551)	(34,314,674)
29,815,409	34,282,616

(refer to appendix A & B for more detail)

## 27 Public Improvement Fund

Accumulated Funds  
Less: External investments  
Value of assets  
Debtors  
Outstanding advances to borrowing services

20,240,888	19,229,296
15,072,031	12,564,453
2,450,267	3,049,160
617,943	1,094,245
2,100,647	2,521,437

(refer to appendix A & B for more detail)

## 28 Fruitless and wasteful expenditure

At the time of the completion of the annual financial statements, there appears to be no fruitless and wasteful expenditure

## 29 Unauthorised expenditure

At the time of the completion of the annual financial statements, there appears to be no unauthorised expenditure.

## 30 Matters Pending

The Municipality had conducted an audit of the vat system and had, as a result, submitted a claim to the Receiver of Revenue for unclaimed input vat of R6,430,436.83. The audit is still continuing.

## 31 Going Concern

The Municipality incurred a net loss of R12,579,232 for the 2007/2008 financial year resulting in an accumulated deficit of R33,998,561 and the municipality had a bank overdraft of R3,451,689 as at 30 June 2008. In addition there are unspent grants amounting to R34.7m as at 30 June 2008. However, the investments as at date total R28.3m resulting in difference of R6.5m not being supported by cash. These conditions, along with other matters, point to the existence of a concern of the going concern assumption.

# **ACCUMULATED FUNDS, TRUST FUNDS, PROVISIONS AND RESERVES**

	Balance at 2007-06-30	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 2008-06-30
<b>ACCUMULATED FUNDS</b>						
Public Improvement Fund	19,229,296	-	598,951	412,641	-	20,240,888
Dedicated Housing Account	1,325,190	-	41,277	5,582	149,622	1,222,427
Loan Redemption Fund	1,792	-				1,792
Capital Development Fund	68,597,280	-	2,472,927	3,107,514	780,770	73,396,961
<i>Total</i>	<b>89,153,569</b>	<b>-</b>	<b>3,113,155</b>	<b>3,525,737</b>	<b>930,392</b>	<b>94,862,068</b>
<b>RESERVES</b>						
Estates	174,325		5,430			179,755
Repairs and Maintenance	1,026,164		31,963			1,058,127
Vehicle Insurance	456,605		14,222			470,827
	<b>1,657,095</b>	<b>-</b>	<b>51,615</b>	<b>-</b>	<b>-</b>	<b>1,708,709</b>
<b>TRUST FUNDS</b>						
						-
	-	-	-	-	-	-
<b>PROVISIONS</b>						
Audit Fees	520,000	550,000	16,197		640,864	445,333
Leave	1,369,754	2,024,207	42,665			3,436,626
	<b>1,889,754</b>	<b>2,574,207</b>	<b>58,862</b>	<b>-</b>	<b>640,864</b>	<b>3,881,958</b>
<i>Total</i>	<b>92,700,418</b>	<b>2,574,207</b>	<b>3,223,632</b>	<b>3,525,737</b>	<b>1,571,257</b>	<b>100,452,735</b>
<b>TOTAL</b>						
Bad Debts - other	750,000				750,000	-
Bad Debts - consumer	16,776,551	1,767,076	400,189		3,928,524	15,015,291

# EXTERNAL LOANS AND INTERNAL ADVANCES

<b>EXTERNAL LOANS</b>	<b>%</b>	<b>Period of loan</b>	<b>Repayment date</b>	<b>Balance 2007-06-30</b>	<b>Loans Received during the Year</b>	<b>Redeemed, written off during the Year</b>	<b>Balance 2008-06-30</b>
<i>Local Registered Stock</i>							
Endumeni Municipality		10	2013/06/30	7,200			-
Wesbank		5	2012/12/31	-	3,000,976	424,987	7,200
							2,575,989
				7,200	3,000,976	424,987	-
							2,583,189

<b>INTERNAL ADVANCES TO BORROWING SERV.</b>	<b>Balance 2007-06-30</b>	<b>Received during the Year</b>	<b>Redeemed, written off during the Year</b>	<b>Balance 2008-06-30</b>
Capital Development Fund	34,282,616	-	4,466,207	29,816,409
Loan Redemption Fund	-	-	-	-
Public Improvement Fund	2,521,437	-	420,790	2,100,647
Revenue Account	1,569,314	-	519,847	1,049,467
	38,373,367	-	5,406,843	32,966,524

## ANALYSIS OF FIXED ASSETS

Expended 2007	SERVICE	Budget 2008	Balance at 2007-07-01	Expended 2007/8	Written off, transferred, redeemed or disposed of during the Year	Balance at 2008-06-30
R		R	R	R	R	R
2,717,715	<b>RATES AND GENERAL SERVICES</b>	5,796,425	80,293,601	7,633,208	756,105	87,170,706
2,570,948	Community services	5,239,425	76,499,574	6,052,618	734,269	81,817,923
-	Council	720,000	459,636	1,366,748	-	1,826,384
1,427,730	Public Works	3,000,000	49,430,951	2,278,422	411,469	51,297,903
-	Town Estates	5,000	2,092,756	-	-	2,092,756
708,549	Civic Buildings	-	8,215,225	1,477,339	850	9,691,715
-	Health Services	-	316,427	-	-	316,427
214,259	Finance	71,000	4,999,450	-	30,996	4,968,454
138,264	Parks and Recreation	900,000	6,965,905	509,250	154,943	7,320,212
17,750	Weenen	-	344,090	-	-	344,090
10,450	Wembezi	-	423,179	-	-	423,179
-	Library	22,500	1,649,548	6,838	-	1,656,386
-	Corporate	520,925	193,227	-	-	193,227
53,947	Protection	-	1,409,181	414,021	136,012	1,687,191
7,200	Subsidised services	57,000	1,553,508	-	21,835	1,531,673
-	Health Clinic	50,000	177,054	-	-	177,054
7,200	Museum	7,000	398,739	-	-	398,739
-	Fire Protection	-	977,715	-	21,835	955,880
139,568	Economic services	500,000	2,240,519	1,580,590	-	3,821,109
139,568	Cleansing	500,000	2,240,519	1,580,590	-	3,821,109
-		-	-	-	-	-
-	<b>HOUSING SERVICES</b>	-	368,360	-	-	368,360
-	Economic Housing	-	368,360	-	-	368,360
-		-	-	-	-	-
5,692,346	<b>TRADING SERVICES</b>	3,050,000	41,017,468	2,622,863	24,666	43,615,665
5,692,346	Electricity	3,050,000	41,017,468	2,622,863	24,666	43,615,665
26,500	<b>PUBLIC IMPROVEMENT FUND</b>	-	3,049,160	-	598,893	2,450,267
8,436,562	<b>TOTAL FIXED ASSETS</b>	8,846,425	124,728,589	10,256,071	1,379,664	133,604,998
11,421,380	<b>LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>		87,838,077	10,256,071	-	98,094,148
2,984,818	Loans Redeemed		41,659,497	5,831,830		47,491,327
4,129,892	Contributions from Current Income		5,059,918	3,232,070		8,291,988
4,306,670	Grants and Subsidies		39,897,289	1,192,171		41,089,460
	Public contributions		963,297			963,297
	Miscellaneous		258,076			258,076
(2,984,818)	<b>NET FIXED ASSETS</b>		36,890,512	0	1,379,664	35,510,850

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 30 JUNE 2008**

<i>Actual 2007</i> R		<i>Actual 2008</i> R	<i>Budget 2008</i> R
<b>98,250,857</b>	<b>INCOME</b>	<b>106,701,184</b>	<b>119,716,183</b>
	TB6		
21,578,029	-Levy income	-	-
	-Property Rate	23,786,884	18,834,778
	-Rates Penalty	4,769,187	4,419,657
10,159,532	-Grants and Subsidies	13,127,063	25,086,840
50,448,305	-Electricity Sales	57,382,420	58,896,594
4,835,355	-Other income	6,031,524	8,215,883
-	-Fines	238,421	157,656
-	-Departmental	-	-
-	-Relief of Rates	-	-
3,131,976	-Interest earned	1,365,686	207,816
8,097,661	-Income from Tariffs and Service charges		3,896,959
<b>117,417,200</b>	<b>GROSS EXPENDITURE</b>	<b>121,198,572</b>	<b>119,990,323</b>
34,355,215	- Salaries, Wages and Allowances	40,238,757	38,217,310
54,992,103	- General Expenses	57,487,880	55,464,383
38,380,199	Purchase of electricity	40,614,287	40,754,158
16,611,905	Other general expenses	16,873,593	14,710,225
6,968,853	- Repairs and Maintenance	6,460,702	5,313,725
6,824,645	- Capital Charges	9,437,882	3,828,500
4,129,892	- Contribution to Fixed Assets	3,232,070	5,057,000
10,146,490	- Contributions	4,341,282	12,109,405
4,616,102	- LESS : Amounts charged out	1,918,156	274,140
<b>112,801,098</b>	<b>NET EXPENDITURE</b>	<b>119,280,416</b>	<b>119,716,183</b>
	TB6		

(12,579,232)

# **DETAILED INCOME STATEMENT** **FOR THE YEAR ENDED 30 JUNE 2008**

2006/7 Actual Income R	2006/7 Actual Expenditure R	2006/07 Actual Surplus/ Deficit R	RATES AND GENERAL SERVICES	2007/08 Actual Income R	2007/08 Actual Expenditure R	2007/08 Actual Surplus/ Deficit R	2007/08 Budgeted Surplus/ Deficit R
47,270,268	57,163,274	(9,893,006.00)	Community services	52,843,388	62,927,819	(10,084,431)	(14,756,764)
42,031,271	49,604,594	(7,573,323)	Assessment rates	43,885,593	47,808,955	(3,923,419)	(9,249,643)
21,578,029	-	21,578,029	Council	23,786,884	-	23,786,884	18,834,778
592,981	7,187,142	(6,594,161)	Health Services	591,457	4,533,502	(3,942,045)	(5,448,038)
3,723,585	4,459,709	(736,144)	Protection Services	236,154	2,440,884	(2,204,710)	(3,007,765)
453,284	7,828,210	(14,508,093)	Public Works	318,847	13,513,323	(13,198,476)	(15,540,077)
13,017	5,991,931	(5,978,914)	Corporate services	30,595	7,260,505	(7,229,907)	(7,087,382)
-	-	-	Town Estates	-	-	-	-
11,514,759	8,852,319	2,662,440	Finance	18,617,692	10,414,903	8,203,089	12,011,669
-	250,063	(250,063)	Weenen	-	-	-	-
3,751,198	1,759,881	1,991,307	Wentzel	-	-	-	-
-	-	-	Kwandabamba	-	-	-	-
332,608	7,885,905	(1,257,297)	Civic Buildings	29,121	1,362,482	(1,333,361)	(801,876)
27,879	1,285,176	(1,480,427)	Parks and Recreation	278,572	9,083,408	(8,804,836)	(8,229,172)
43,741	4,524,168	(4,480,427)	Subsidised services	-	8,593,648	(8,593,648)	(8,593,648)
1,554,459	2,188,954	(634,455)	Health Clinic	292,995	7,119,851	(6,817,856)	(5,896,181)
1,365,597	1,835,701	(470,204)	Fire Brigades	28,595	1,279,050	(1,250,455)	(1,241,531)
95,747	127,174	(32,427)	Cemetery	98,308	1,601	98,308	119,292
93,165	225,969	(132,804)	Museum	84,938	193,143	(108,205)	(38,120)
3,684,488	5,369,726	(1,685,238)	Economic services	8,445,001	6,734,189	1,710,812	1,344,389
-	-	-	Cleaning	4,096,172	5,006,787	(1,910,615)	(1,874,014)
-	-	-	Licensing	4,348,828	1,127,422	3,221,407	3,018,413
-	-	-	Pound	-	-	-	-
233,440	26,307	207,133.00	HOUSING SERVICE	234,378	28,776	205,603	55,386
233,440	26,307	207,133.00	Trading Services:	234,378	28,776	205,603	55,386
50,747,149	55,611,515	(4,864,366)	Electricity	53,623,418	56,323,922	(2,700,404)	14,701,378
50,747,149	55,611,515	(4,864,366)		53,623,418	56,323,922	(2,700,404)	14,701,378
98,250,857	112,801,086	(14,550,239)	TOTAL	108,701,184	119,280,416	(12,579,232)	-
-	-	(2,470,426)	Appropriation for this Year (Refer NOTE 18)	-	-	286,048	-
-	-	(17,020,664)	Net (Deficit) for the Year	-	-	(12,283,184)	-
-	-	(4,694,713)	Accumulated (Deficit)/Surplus beginning of the year	-	-	(21,715,377)	-
-	-	(21,715,377)	ACCUMULATED DEFICIT END OF YEAR	-	-	(33,998,561)	-



# STATISTICAL INFORMATION

	2008	2007
<b>a) General Statistics</b>		
1 <i>Population</i>	59,434	59,434
2 <i>Rateable Properties</i>		
Rateable	463,548,100	459,814,200
Non-Rateable	49,942,070	49,695,770
3 <i>Number of Properties</i>		
Proclaimed erven as at 30 June 2004	8,862	8,851
4 <i>Number of Rated Properties</i>		
Residential	8047	8036
Commercial	300	300
Industrial	125	125
Agricultural	200	200
Prison and Police	4	4
Other	186	186
5 <i>Assessment rates: cents in the rand</i>		
<i>Escourt/Wembezi</i>		
Land	0.44722	0.40656
Improvements	0.011169	0.010154
<i>Weenen/Kwanobamba</i>		
Land		
Agricultural/Grazing	0.02224	0.28006
Industrial/Commercial/Parks Board	0.30807	0.04422
Hospital/Education/Administration	0.04864	0.03795
Residential	0.04175	
6 <i>Number of employees</i>	313	316
<b>b) Electricity Statistics</b>		
1 <i>Number of users</i>	11275	10822
2 <i>Units bought</i>	222037531	222866581
3 <i>Units sold (kw)</i>	206308573	216319271
4 <i>Units lost in distribution (kw)</i>	15728958	6547310
5 <i>Percentage lost in distribution</i>	7.0%	2.9%
6 <i>Cost per unit sold @</i>	25.8c	23.6c
<b>c) Sundry Statistics</b>		
1 <i>Area</i>	2 130km <sup>2</sup>	2 130km <sup>2</sup>
2 <i>Number of registered voters</i>	33333	33333
3 <i>Fire service - units</i>	3	3
4 <i>Building survey</i>		
i) Number of plans passed	101	186
ii) Value of plans passed	R 60,034,149	R 55,381,622
5 <i>Parks and Recreation</i>		
i) Number of developed parks	0	8
ii) Nature Reserve	2	2
iii) Number of Swimming pools	2	2
iv) Number of Sportsfields	28	27
6 <i>Library - books issued</i>	71434	82191
7 <i>Cleansing - Refuse removed and dumped</i>	8793 tons	6785 tons
8 <i>Roads - km roads repaired/constructed</i>	6.5	4.5
9 <i>Housing</i>		
i) Number of houses rented	35	36
ii) Number of housing loans	53	54